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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Verizon Communications Inc.

Section 272 Biennial Agreed Upon Procedures Report
for the engagement period January 2, 2001 to December 31, 2003

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- VES is owned by Bell Atlantic Worldwide Services Group, Inc., which in turn is owned by NYNEX Corporation, which is owned by Verizon Communications Inc.
- GNI is owned by Verizon Communications Inc.
- VSSI is owned by GTE Corporation, which in turn is owned by Verizon Communications Inc.
- GSI is owned by Bell Atlantic International, Inc., which is owned by Verizon Investments Inc., which is owned by Verizon Communications Inc.

For VLD-VA, VES-VA, GNI-VA, and VSSI-VA, management indicated the following:

- “Verizon Long Distance, Virginia Inc. is a direct subsidiary of Bell Atlantic Communications Inc.
 - Verizon Enterprise Solutions, Virginia Inc. is a direct subsidiary of NYNEX Long Distance Company.
 - Verizon Global Networks, Virginia Inc. is a direct subsidiary of Verizon Global Networks Inc.
 - Verizon Select Services of Virginia Inc. is a direct subsidiary of Verizon Select Services Inc.”
3. We inquired of management which entities perform operations, installation and maintenance (“OI&M”) functions over facilities either owned or leased by each Section 272 affiliate. Management indicated the following:
- VLD and VES do not own or lease any facilities.
 - GNI employees and third party contractors perform OI&M on facilities either owned or leased by GNI.
 - GNI employees, VSSI employees and third party contractors perform OI&M on facilities either owned or leased by VSSI.
 - GSI employees and third party contractors perform OI&M on facilities either owned or leased by GSI.

We requested management’s definition and interpretation of OI&M functions and management indicated the following:

“Verizon’s management has included the following guidance in its Affiliate Transaction Policy. This guidance, which is based on paragraph 158 of FCC Docket 96-149, is Verizon’s definition of OI&M. Like the FCC’s order, Verizon’s instructions for compliance with this requirement rely on the common meaning of the words in the FCC’s rules. Specific cases are reviewed by counsel. Under the 272 regulations, the FCC prohibits Verizon’s ILECs and any Verizon affiliate, other than another Section 272 affiliate, from performing operation, installation or maintenance (O, I or M) functions associated with switching or transmission facilities owned or leased by a Section 272 affiliate. An ILEC and Section 272 affiliate may not have joint ownership of transmission and switching facilities or the land and buildings where those facilities are located. A Section 272 affiliate may not perform operations, installation, or maintenance functions associated with switching or transmission facilities owned or leased by the ILECs.”

We inquired of management and management indicated that Section 272 affiliates do not perform OI&M on facilities either owned or leased by the Verizon BOC/ILECs. Also,

management indicated that Verizon BOC/ILECs and other affiliates do not perform OI&M functions on facilities either owned or leased by the Section 272 affiliates.

4. We inquired of management as to the existence of any research and development activities of the Verizon BOC/ILECs from January 3, 2001 through September 30, 2002 related to the Section 272 affiliates. Management indicated that the Verizon BOC/ILECs did not perform any research and development activities on behalf of the Section 272 affiliates.
5. We obtained the balance sheet and detailed fixed asset listing, including capitalized software, as of September 30, 2002 for VLD, VES, GNI, VSSI, and GSI.

We compared the fixed asset balances in the balance sheets to the totals listed on VLD's, VES's, GNI's, VSSI's, and GSI's detailed fixed asset listings and noted the following:

- For VLD, we noted that the fixed asset amount in the balance sheet is \$1,826,108 more than the total amount on the detailed fixed asset listing. We inquired of management and management indicated the difference is due to amounts for capitalized labor and construction in progress ("CIP") included in the balance sheet. Management indicated that CIP assets reflect assets not yet placed in service.
- For VES, we noted no differences.
- For GNI, we noted that the fixed asset amount in the balance sheet is \$86,887,299 more than the total amount on the detailed fixed asset listing. We inquired of management and management indicated the difference is due to amounts for CIP included in the balance sheet. Management indicated that CIP assets reflect assets not yet placed in service.

We also noted that the amount for capitalized software included as part of the Intangibles balance reflected in the balance sheet is \$3,003,830 less than the total amount reflected on the detailed fixed asset listing. Management indicated the difference represents the accumulated amortization related to capitalized software.

- For VSSI, we noted the fixed asset amount in the balance sheet is \$1,535,253 more than the total amount on the detailed fixed asset listing. We inquired of management and management indicated that the difference is due to certain credit amounts and write-offs held in a clearing account, which had not yet been classified to the appropriate fixed asset category, in the balance sheet.
- For GSI, we noted the fixed asset amount in the balance sheet is \$19,397,010 less than the total amount on the detailed fixed asset listing. We inquired of management and management indicated that the difference is due to:
 - Accruals for asset impairment, vendor credits, and a miscellaneous amount included in the detailed fixed asset listing, which is offset by CIP included in the balance sheet but not included in the detailed fixed asset listing.

We obtained and inspected a detailed fixed asset listing for each of the Section 272 affiliates. We noted that the detailed fixed asset listings for the Section 272 affiliates included a description and location of each item, price paid and recorded, and from whom the asset was purchased or transferred. We noted that the detailed fixed asset listings for the Section 272 affiliates did not include the date of purchase, but instead included the acquisition date and accounting date. We inquired of management and management indicated the acquisition date is the date the asset was placed into service and the accounting date is the date the asset was recorded in the books.

From the detailed fixed asset listing for GNI, VSSI and GSI, we selected a random sample of 100 transmission and switching facilities, including capitalized software, and the land and buildings where those facilities are located, out of a population of 11,824. Management indicated that VLD and VES have no transmission and switching facilities. We requested the title and/or other documents, which reveal ownership, for the sample selected. Management provided invoices and where applicable, the supporting reconciliations to the amount stated on the detailed fixed asset listings, as support for ownership. We noted the following:

- For 93 out of 100 items selected, we inspected the invoices and noted that the assets were billed to the appropriate Section 272 affiliate.

For the remaining 7 out of 100 items, we noted the following:

- For 3 out of 100 items selected, management indicated that the item was either capitalized interest or capitalized labor relating to transmission and switching facilities. For these samples, management provided reconciliations of the journal entry to the amount stated on the detailed fixed asset listing.
- For 3 out of 100 items selected, we inspected the invoices and noted that the assets were billed to the appropriate Section 272 affiliates. We noted that these assets had a zero balance on the detailed fixed asset listing. Management indicated that these items were reclassified from transmission and switching to another category.
- For 1 out of 100 items selected, management indicated that the item was related to capitalized labor relating to an asset reclassified from transmission and switching to another category.

For the sample of transmission and switching facilities for GNI, VSSI, and GSI, we noted no items jointly owned by the Verizon BOC/ILECs and the Section 272 affiliate.

Objective II: Affiliate Shall Maintain Records Separate from those of the BOC

1. We obtained the separate general ledgers maintained for each of the Section 272 affiliates as of September 30, 2002. For VLD, VES and GNI, we were unable to match the titles on the general ledgers with the names of these affiliates on the certificates of incorporation. We obtained the Verizon Communications Inc. Legal Name Changes and Assumed Name Filings ("Legal Name Change Filings"), which indicated both the former and new names of VLD, VES, and GNI. We compared the former names of VLD, VES, and GNI, from the Legal Name Change Filings to the certificates of incorporation and noted no differences. We compared the new names from the Legal Name Change Filings to the title on VLD's, VES's and GNI's general ledgers as of September 30, 2002 and noted no differences.

For VSSI and GSI, we compared the titles on the general ledgers with the names on the certificates of incorporation and noted no differences.

We noted no special codes that may link the Section 272 affiliates' general ledgers to the general ledgers of the Verizon BOC/ILECs.

2. We obtained the Section 272 affiliates' balance sheets, income statements and listings of lease agreements for which the Section 272 affiliate is either the lessor or lessee, as of September 30, 2002. We identified a population of 20 leases where the annual obligation was \$500,000 or more. For all 20 leases, we obtained the lease agreements and noted the terms and conditions.

We obtained and inspected the Company's lease accounting policies and the "Statement of Financial Accounting Standards No. 13, Accounting for Leases" assessment prepared by management indicating the accounting treatment for each lease. We noted the assessment was prepared in accordance with the Company's lease accounting policies for 18 of 20 selected leases.

For 2 of 20 leases, we noted that the "Statement of Financial Accounting Standards No. 13, Accounting for Leases" assessment indicated that the leases were not properly recorded as a capital lease.

We noted the Company's lease accounting policies were consistent with GAAP.

Objective III: Affiliate Shall Have Officers, Directors, and Employees Separate from those of the BOC

1. We inquired of management and management indicated that each of the Section 272 affiliates and the Verizon BOC/ILECs maintain separate boards of directors, separate officers and separate employees.

We obtained a list of officers' and directors' names for the Verizon BOC/ILECs and the Section 272 affiliates, including the dates of service for each Board member and officer, from January 3, 2001 through January 2, 2003. We designed and executed a program, which compared social security numbers of directors and officers on the Section 272 affiliates' lists to the social security numbers of directors and officers on the Verizon BOC/ILEC's lists. We noted that two individuals appeared on both the Section 272 affiliates' list and the Verizon BOC/ILEC's lists.

We inquired of management and management indicated that the individuals, one director and one officer, did not simultaneously serve as director and officer for the Section 272 affiliate and the Verizon BOC/ILEC. Management also indicated that the individuals are not on either the Section 272 affiliate's or the Verizon BOC/ILEC's payroll. The director is an employee of Verizon Communications Inc. and the officer is an employee of Verizon Corporate Services Corp.

We reviewed the list of officers' and directors' names for the Verizon BOC/ILECs and the Section 272 affiliates, including the dates of service for each Board member and officer, from January 3, 2001 through January 2, 2003, and noted that the individuals, who appeared on both lists, were not a director or an officer of the Section 272 affiliate and the Verizon BOC/ILEC simultaneously.

2. We obtained a list of names and social security numbers of all employees of the Section 272 affiliates and of the Verizon BOC/ILECs from January 3, 2001 through January 2, 2003. We designed and executed a program, which compared the names and social security numbers of the employees on the Section 272 affiliates' lists to the names and social security numbers of the employees on the Verizon BOC/ILEC's lists. We noted the names of 217 individuals that appeared on both the Section 272 affiliates' list and the Verizon BOC/ILEC's list.

We inquired of management the reasons for the 217 names appearing on both the Section 272 affiliates' list and the Verizon BOC/ILEC's list. Management provided employment histories for the 217 individuals from the Company's Employee Information System. By reference to the Company's Employee Information System only, we noted no instances where an individual was simultaneously employed by a Verizon BOC/ILEC and Section 272 affiliate.

Objective IV: Affiliate May Not Obtain Credit with Recourse to the Assets of the BOC

1. We requested from management copies of each Section 272 affiliates' debt agreements/instruments and credit arrangements with lenders and major suppliers of goods and services. Major suppliers are those having \$500,000 or more in annual sales as stated in the agreement or having \$375,000 in sales from January 1, 2002 to September 30, 2002. We obtained copies of the Section 272 affiliates' debt agreements/instruments and noted that the debt agreements/instruments were with a related party, Verizon Global Funding. We did not note any language indicating guarantees of recourse to the Verizon BOC/ILEC's assets, either directly or indirectly through another affiliate.

Management indicated that there are no revolving or open line of credit arrangements with major suppliers.

2. We obtained the lease agreements where the annual obligation is \$500,000 or more used in Objective II, Procedure 2. We reviewed these lease agreements and did not note any language in the agreements indicating recourse to the Verizon BOC/ILEC's assets, either directly or indirectly through another affiliate.
3. We requested written confirmations from loan institutions and lessors for debt instruments and leases maintained by the Section 272 affiliates in excess of \$500,000 of annual obligations and for a judgmental sample of 10 that are less than \$500,000 in annual obligation to confirm lack of recourse to the Verizon BOC/ILEC's assets. We received responses from 17 of the 35 loan institutions and lessors confirming they did not have recourse to the Verizon BOC/ILEC's assets.

Objective V & VI: Affiliate Shall Conduct All Transactions with the BOC at Arm's Length, and the BOC Shall Account for All Transactions with the Separate Affiliate in Accordance with FCC Rules

1. We documented in our workpapers the procedures used by the Verizon BOC/ILECs to identify, track, respond, and take corrective action to competitors' complaints with respect to alleged violations of the Section 272 requirements.

We obtained from the Verizon BOC/ILECs a list of all FCC formal complaints, as defined in 47 CFR 1.720; FCC informal complaints, as defined in 47 CFR 1.716, and any written complaints made to a state regulatory commission from competitors involving the provision or procurement of goods, services, facilities, and information, or in the establishment of standards which were filed from January 3, 2001 through September 30, 2002. We also obtained a list of outstanding complaints from the prior engagement period, January 3, 2000 through January 2, 2001, which had not been resolved during that period. This list categorizes the complaints as follows:

- allegations of cross-subsidies (for Objective V and VI);
- allegations of discriminatory provision or procurement of goods, services, facilities, customer network services information (excludes customer proprietary network information (CPNI)), or the establishment of standards (for Objective VII);
- allegations of discriminatory processing of orders for, and provisioning of, exchange access and exchange services and unbundled network elements, and discriminatory resolution of network problems (for Objective VIII);
- allegations of discriminatory availability of exchange access facilities (for Objective IX);
- allegations of discriminatory availability of interLATA facilities or services not at the same rates and not on the same terms and conditions as the interLATA affiliate (for Objective XI);

For each group of complaints, we inquired of management and reviewed documentation to determine how many of the complaints were under investigation, how many complaints had been resolved, and in what time frame they had been resolved. For those complaints that had been resolved, we inquired of management how those allegations were concluded, and if the complaint was upheld, what steps the Company has taken to prevent those practices from recurring. Management indicated the following:

- There were no complaints filed applicable to Objective V/VI.
- For Objective VII, 26 complaints, 2 of which originated during the prior engagement period, were under investigation. 12 complaints, 1 of which originated during the prior engagement period, were resolved (Reference Table 1).

Table 1

Objective VII						
No.	Type	Case No.	Complaint	Reason for Complaint	Conclusion	Time Frame for Resolution
1	FCC Informal	EB-02-MDIC-0001	CTC Communications	Alleges unreasonable and unjust collocation charges.	The time period for filing a formal complaint expired on Sept. 27, 2002. Under section 1.718 of the FCC's rules, it is considered abandoned. The Enforcement Bureau sent a letter notifying CTC Communications that the complaint was ruled abandoned and has been closed.	01/09/2002 - 03/31/2003
2	State - HI	IC-01-1	AT&T PhoneMart	AT&T alleged Verizon was misusing AT&T's and its customers' proprietary information in violation of state and federal law and its billing and collection agreement with Verizon.	Verizon adopted a formal policy that prohibits the use of the Mechanized Service Office Billing/Billing Voucher Treatment system for information of sales purposes. Verizon provided a copy of their policy "Selling Long Distance to Customer's PIC'd to Other Carriers" to AT&T to avoid any potential misunderstanding in the future. This was an informal complaint and no ruling was made by the state commission.	06/27/2001 - 09/13/2001
3	State - MD	8887	Sprint	Sprint filed a request for Arbitration of certain terms, conditions, prices and related arrangements.	Sprint's complaint was denied. An Interconnection Agreement was filed and approved by the commission.	05/16/2001 - 03/06/2002
4	State - MD	No case number	Cavalier	Cavalier alleges that certain	The commission dismissed the	10/23/2001 - 09/13/2002

Objective VII						
No.	Type	Case No.	Complaint	Reason for Complaint	Conclusion	Time Frame for Resolution
		was assigned		provisions of the Local Exchange Tariff dealing with Local Service Provider Freeze were anti-competitive	complaint, no merit to the allegations was found.	
5	State - MI	U-13441	TelNet	Pursuant to the Interconnection Agreement ("ICA"), TelNet terminated traffic from Verizon customers. TelNet invoiced Verizon through May 2001. Verizon has refused to pay portions of TelNet invoices based on the ICA rates from June 2002 to present. Verizon claims that the FCC Order on Remand, effective June 14, 2001, establishes the end office rate for reciprocal compensation that should be paid for internet traffic.	A settlement was reached and the Michigan Commission dismissed the case with prejudice. TelNet agreed that the Order on Remand, effective June 14, 2001, governs the exchange of ISP traffic.	06/20/2002 - 01/13/2003
6	State - NY	No case number was assigned	Sprint	Sprint filed a complaint and petition for declaratory judgment with the New York Department of Public Service Commission ("NY PSC") to require Verizon to provide the ability to combine local, interLATA and intraLATA telephone traffic on the same network trunk facilities and pay appropriate	Complaint was withdrawn by Sprint.	09/06/2001 - 11/13/2001

Objective VII						
No.	Type	Case No.	Complaint	Reason for Complaint	Conclusion	Time Frame for Resolution
				compensation based on the jurisdiction of traffic.		
7*	State - NY	01-0647	AT&T	AT&T filed a complaint with the NY PSC under the Expedite Dispute Resolution process regarding a dispute over how to correct a misrouting of certain intraLATA calls alleged to not be in conformance with Call Flow 15 of the Verizon/ATT interconnection agreement.	Arbitrator accepted AT&T's arguments. AT&T was issued an award. For the embedded bases of AT&T's UNE-P lines, Verizon implemented a one time conversion whereby the LPIC codes on AT&T UNE-P lines were converted from AT&T's 0288 CIC to Verizon's 0698 CIC. Verizon clarified the Business Rules regarding the use of CIC codes in connection with LPIC selections.	10/09/2001 - 09/18/2002
8	State - PA	Docket No. R-00016329	Covad and Sprint	Complaint against PA. PUC - No. 218 Collocation Tariff relative to DC Power penalty provisions.	Verizon, Covad, and Sprint filed a settlement agreement that was later approved by the Commission. The settlement was approved by the Commission in a format that allowed other CLECs to comment or oppose if they wished to, but they did not. Verizon filed a compliance tariff effective 12/22/01 outlining both Verizon and CLEC responsibilities concerning DC power.	05/24/2001 - 12/19/2001
9	State - PA	Docket No. C-20026867	ATX, A Corecomm Company	Complaint alleged Verizon was refusing to process	Complaint was withdrawn by ATX.	02/12/2002 - 08/13/2002

Objective VII						
No.	Type	Case No.	Complaint	Reason for Complaint	Conclusion	Time Frame for Resolution
				pending orders for new customer service or change orders.		
10	State - VA	PUC 2002-0089	Cavalier	Cavalier filed a complaint regarding an amendment to their interconnection agreement dealing with compensation between the carriers at what interconnection point (GRIPS issue).	The Virginia Commission dismissed the case because the amendment had been terminated. Also, the Commission believed the monetary issue was better dealt with in the appropriate courts.	07/03/2002 - 01/31/2003
11	State - VA	No case number was assigned	Cavalier	Cavalier alleges that Verizon is improperly handling the provisioning of facilities. Cavalier claims that they are receiving a "no facilities condition" for the orders they submit, while Verizon customers are able to get their orders provisioned.	Verizon investigation showed consistent treatment of the "no facilities" condition with their existing policies and procedures regarding facilities. No further action is expected from either the Commission staff or by Cavalier. Cavalier can proceed with a formal complaint with the Commission at any time.	06/26/2002 - 01/15/2003
12^	State - VA	PUC 2000-00262	Cavalier	Allegations of premature disconnects of customers who are moving service from Verizon to Cavalier and excessive delays in restoring their service.	The case was dismissed after Verizon was enjoined from prematurely disconnecting Cavalier customers. Verizon and Cavalier reported the level of premature disconnects to the Commission Staff for over 16 months.	09/28/2000 - 06/04/2002

Objective VII						
No.	Type	Case No.	Complaint	Reason for Complaint	Conclusion	Time Frame for Resolution
					The information was communicated quarterly to the Commission to track improvement. Once metric guidelines were established to report the necessary information, the Commission vacated its earlier order for monthly/quarterly reporting.	
^ Outstanding complaint from prior engagement period which was not resolved during that period * Applies to both Objectives VII and XI						

- For Objective VIII, 17 complaints, 6 of which originated during the prior engagement period, were under investigation. 10 complaints, 5 of which originated during the prior engagement period, were resolved (Reference Table 2).

Table 2

Objective VIII						
No.	Type	Case No.	Complainant	Reason for Complaint	Conclusion	Time Frame for Resolution
13	FCC Formal	EB-01-MD-022	Cable and Wireless	Alleges discrimination in provision of Special Access and violations of 201(b) of the Act.	FCC granted Motion to Dismiss Without Prejudice filed by Cable and Wireless.	09/04/2001 - 02/07/2002
14	FCC Formal	EB-02-MD-017	WorldCom	Request revocation of Verizon Mass 271 authority due to local and switching transport rates not lowered when NY rates lowered.	FCC denied the complaint.	04/24/2002 - 07/23/2002
15^	FCC Formal	EB-00-MD-14	Telecom Inc. d/b/a Answer Indiana	Interconnection dispute	Answer Indiana's complaint was denied.	07/24/2000 - 11/28/2001

Objective VIII						
No.	Type	Case No.	Complainant	Reason for Complaint	Conclusion	Time Frame for Resolution
16	FCC Informal	EB-01-MDIC-0022	Cable and Wireless	Alleges Verizon performance on provisioning Special Access is poor and in violation of 201(b) of the Act.	FCC dismissed the complaint	05/31/2001 - 07/23/2001
17	FCC Informal	EB-02-MDIC-0010	NTELOS	Alleges inappropriate billing for DID facilities.	Verizon issued credits to NTELOS and the FCC closed the complaint. No internal changes were required.	03/12/2002 - 05/03/2002
18*	FCC Informal	ICN 02-B0002517	ISLA Communications	Alleges that Verizon is not in compliance with the FCC Flex ANI requirement.	FLEX ANI has been deployed in Saipan for the 1 private payphone provider (ISLA) and for Verizon Payphones, as required by ISLA. However, there are still signaling issues with Sprint which prevent Verizon from passing the FLEX ANI digits. The issue is with the type trunks Sprint is using and only Sprint can remedy the problem. No internal changes were required.	09/25/2002 - 04/29/2003
19^	FCC Formal	EB-00-018	Net2000	Alleges Verizon has not provided special access conversions to enhanced extended links (EELs).	FCC denied the complaint	11/06/2000 - 01/09/2002
20^	State - VA	PUC 990191	Cavalier Telephone	Disputes concerning a wide variety of issues including ordering, provisioning, billing, repair, and DSL rates.	The case was dismissed.	01/05/2000 - 02/21/2001
21^	State - VA	PUC 2000-00262	Cavalier Telephone	Allegation of premature disconnects of customers who are moving service from Verizon to Cavalier	The case was dismissed.	09/28/2000 - 06/04/2002

Objective VIII						
No.	Type	Case No.	Complainant	Reason for Complaint	Conclusion	Time Frame for Resolution
				and excessive delays in restoring their service.		
22 [^]	State - VA	No case number was assigned	Cavalier Telephone	End Users continued to get billed by Verizon after porting to Cavalier	The case was dismissed	08/01/2000 - 10/10/2001
[^] Outstanding complaint from prior engagement period which was not resolved during that period [*] Applies to both Objectives VIII and IX						

- For Objective IX, 6 complaints, 2 of which originated during the prior engagement period, were under investigation. 3 complaints, 2 of which originated during the prior engagement period, were resolved (Reference Table 3).

Table 3

Objective IX						
No.	Type	Case No.	Complainant	Reason for Complaint	Conclusion	Time Frame for Resolution
23 [*]	FCC Informal	INC 02-B0002517	ISLA Communications	Alleges that Verizon is not in compliance with the FCC Flex ANI requirement.	FLEX ANI has been deployed in Saipan for the 1 private payphone provider (ISLA) and for Verizon Payphones as required by ISLA. However, there are still signaling issues with Sprint which prevent Verizon from passing the FLEX ANI digits. The issue is with the type trunks Sprint is using and only Sprint can remedy the problem. No internal changes were required.	09/25/2002 - 10/25/2002
24 [^]	State - NY	NY-00-C-1390	AT&T	Submitted support letters for Focal Communications' complaint listed below.	The New York Public Service Commission issued an Opinion adopting revised Special Services Guidelines including additional metrics and reporting	10/13/2000 - 06/16/2001

Objective IX						
No.	Type	Case No.	Complainant	Reason for Complaint	Conclusion	Time Frame for Resolution
					requirements.	
25 [^]	State - NY	NY-00-C01390	Focal Communications	Focal Communications alleges substandard and discriminatory provisioning and maintenance of special access services as required by Special Guidelines in New York.	The New York Public Service Commission issued an Opinion adopting revised Special Services Guidelines, including additional metrics and reporting requirements.	08/15/2000 - 06/16/2001
[^] Outstanding complaint from prior engagement period which was not resolved during that period [*] Applies to both Objectives VIII and IX						

- For Objective XI, 3 complaints, 1 of which originated during the prior engagement period, were under investigation. 2 complaints, 1 of which originated during the prior engagement period, were resolved. (Reference Table 4)

Table 4

Objective XI						
No.	Type	Case No.	Complainant	Reason for Complaint	Conclusion	Time Frame for Resolution
26 [^]	FCC Formal	EB-00-MDIC-0054	B&B Beeper	Reciprocal Compensation	Enforcement Bureau ruled recommending no further action and closed the file.	08/16/2000 - 03/27/2001
27*	State - NY	01-0647	AT&T	AT&T filed a complaint with the New York State Department of Public Service Commission (NY PSC) under the Expedite Dispute Resolution (EDR) process. The issue is a dispute between parties over how to correct a misrouting of certain intraLATA calls alleged to not be in conformance with Call Flow 15 of the Verizon/ATT interconnection agreement.	Arbitrator accepted AT&T's arguments. AT&T was issued an award. For the embedded bases of AT&T's UNE-P lines, Verizon implemented a one time conversion whereby the LPIC codes on AT&T UNE-P lines were converted from AT&T's 0288 CIC to Verizon's 0698 CIC. Verizon clarified the Business Rules regarding the use of CIC codes in connection with LPIC selections.	10/09/2001 - 09/18/2002
[^] Outstanding complaint from prior engagement period which was not resolved during that period * Applies to both Objectives VII and XI						

2. We obtained the Verizon BOC/ILEC's and the Section 272 affiliates' current written procedures for transactions with affiliates and compared these procedures with the FCC Rules and Regulations indicated as "standards" in the General Standards Procedures for Biennial Audits Required Under Section 272 of the Communications Act of 1934, as amended. We noted the Company's written procedures included the FCC Rules and Regulations indicated as standards above, and noted no differences.
3. We inquired and documented how the Verizon BOC/ILECs and the Section 272 affiliates disseminate the FCC Rules and Regulations and raise awareness among employees for compliance with the affiliate transaction rules. We documented the type and frequency of training, literature distributed, the Company's policy, and the supervision provided to employees responsible for affiliate transactions. Management indicated that all Section 272 affiliate employees are required to attend Section 272 compliance training. The Affiliate Transactions Compliance Office conducts training sessions as follows:
 - VLD - Twice a year, or as needed
 - VES - Twice a year, or as needed.

- **GNI** - Once or twice a month, depending on the number of new hires, and how many requests for "refreshers" are received.
- **VSSI** - Annually, or as needed.
- **GSI** - New hires are trained as part of their orientation and refresher training is given to existing employees annually.
- **BOC/ILECs** - Training is part of new employee orientation. Non-272 affiliates are trained upon request of a functional organization.

The Section 272 affiliate transaction policy training includes: an overview of the Telecommunications Act of 1996; identification of the Section 272 affiliates; the consequences of non-compliance with the rules; the structural, accounting and nondiscriminatory compliance requirements; information sharing; and joint marketing.

Employees are provided with written documentation on the Affiliate Transactions Policy, global e-mails are sent to disseminate information and target letters are sent to specific organizations. The Affiliate Transactions Policy is also located on the Company's intranet website. The Affiliate Interest Compliance Office Hotline is available to answer questions employees may have on the subject.

There is an Affiliate Interest Compliance Office Hotline, and each business unit is assigned a specific Compliance Officer who is required to answer any questions employees may have on the subject. In addition, each business unit has an attorney who can be reached to answer questions relative to transactions with Section 272 affiliates.

We requested certain employees who are responsible for developing and recording affiliate transactions costs in the books of record of the carrier to complete a questionnaire surrounding their awareness of the FCC Rules and Regulations governing affiliate transactions. The employees interviewed had the following job titles: Senior Staff Consultant – Retail Markets, Senior Staff Consultant – Product Management/Product Development, Senior Specialist – Billing Services Account Manager, Manager – Accounting, Manager – Financial Assurance, Specialist – Business Solutions Group Finance, Senior Staff Consultant – Sales Support, Manager – Wholesale Collections. We interviewed these employees and noted that the individuals indicated they were aware of these rules and received training with respect to these rules.

4. We obtained a listing of all 293 written agreements, including their corresponding 452 amendments, for services and for interLATA and exchange access facilities between the Verizon BOC/ILEC and each Section 272 affiliate which were in effect from January 3, 2001 through September 30, 2002. For a random sample of 81 agreements, including their corresponding 121 amendments, we obtained copies of the written agreements and summarized these agreements in our workpapers, noting names of parties, type of service, rates and prices, terms, and conditions. We further noted which agreements were still in effect as of September 30, 2002 and for those agreements which were no longer in effect, indicated the termination date. We also identified agreements that were terminated prematurely from January 3, 2001 through September 30, 2002 (Reference Table 5).

Table 5

No.	Name of Agreement	Reason Terminated	Section 272 affiliate
1	Agreement for Billing and Collection Services	Replaced by Billing Services Agreement, Effective 04/01/2002	VLD
2	Agreement for Billing and Collection Services Amendment 01	Replaced by Billing Services Agreement, Effective 04/01/2002	VLD
3	Agreement for Billing and Collection Services Amendment 02	Replaced by Billing Services Agreement, Effective 04/01/2002	VLD
4	Agreement for Billing and Collection Services Amendment 03	Replaced by Billing Services Agreement, Effective 04/01/2002	VLD
5	Agreement for Billing and Collection Services Amendment 04	Replaced by Billing Services Agreement, Effective 04/01/2002	VLD
6	Billing Services Agreement	Replaced by Billing Services Agreement, Effective 04/01/2002	VLD
7	Billing Services Agreement Amendment 01	Replaced by Billing Services Agreement, Effective 04/01/2002	VLD
8	Billing Services Agreement Amendment 02	Replaced by Billing Services Agreement, Effective 04/01/2002	VLD
9	Billing Services Agreement Amendment 03	Replaced by Billing Services Agreement, Effective 04/01/2002	VLD
10	Billing Services Agreement Amendment 04	Replaced by Billing Services Agreement, Effective 04/01/2002	VLD
11	Lease - 1177 Bishop Street Honolulu HI	Cancelled via letter because VLD employees transferred to Verizon Hawaii, Effective 08/17/2001	VLD
12	Memorandum of Access Services	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
13	Amendment 01 to Memorandum of Understanding Access Services	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
14	Memorandum of Understanding (FCC#1)	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
15	Memorandum of Understanding (FCC#1) Amendment 01	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
16	Memorandum of Understanding (FCC#1) Amendment 02	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD

No.	Name of Agreement	Reason Terminated	Section 272 affiliate
17	Memorandum of Understanding (FCC#1) Amendment 03	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
18	Memorandum of Understanding (FCC#1) Amendment 04	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
19	Memorandum of Understanding (FCC#1) Amendment 05	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
20	Memorandum of Understanding (FCC#1) Amendment 06	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
21	Memorandum of Understanding (FCC#1) Amendment 07	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
22	Memorandum of Understanding (FCC#1) Amendment 08	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
23	Memorandum of Understanding (NE)	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
24	Memorandum of Understanding (NE) Amendment 01	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
25	Memorandum of Understanding (NE) Amendment 02	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
26	Memorandum of Understanding (NE) Amendment 03	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
27	Memorandum of Understanding (NE) Amendment 04	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
28	Memorandum of Understanding (NE) Amendment 05	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
29	Memorandum of Understanding (NY/CT)	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
30	Memorandum of Understanding (NY/CT) Amendment 01	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
31	Memorandum of Understanding (NY/CT) Amendment 02	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
32	Memorandum of Understanding (NY/CT) Amendment 03	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
33	Memorandum of Understanding (NY/CT) Amendment 04	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD

No.	Name of Agreement	Reason Terminated	Section 272 affiliate
34	Memorandum of Understanding (NY/CT) Amendment 05	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
35	Memorandum of Understanding (NY/CT) Amendment 06	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
36	Memorandum of Understanding (NY/CT) Amendment 07	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VLD
37	Slamming/Liability Service Agreement	Cancelled via letter, Effective 05/08/2002	VLD
38	Agreement for Billing and Collection Services	Replaced by Billing Services Agreement, Effective 04/01/2002	VES
39	Agreement for Billing and Collection Services Amendment 01	Replaced by Billing Services Agreement, Effective 04/01/2002	VES
40	Agreement for Billing and Collection Services Amendment 02	Replaced by Billing Services Agreement, Effective 04/01/2002	VES
41	Memorandum of Understanding (FCC#1)	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VES
42	Memorandum of Understanding (FCC#1) Amendment 01	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VES
43	Memorandum of Understanding (FCC#1) Amendment 02	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VES
44	Memorandum of Understanding (FCC#1) Amendment 03	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VES
45	Memorandum of Understanding (FCC#1) Amendment 04	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VES
46	Memorandum of Understanding (FCC#1) Amendment 05	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VES
47	Memorandum of Understanding (FCC#1) Amendment 06	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VES
48	Memorandum of Understanding (FCC#1) Amendment 07	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VES
49	Memorandum of Understanding (FCC#1) Amendment 08	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VES
50	Memorandum of Understanding (NE)	Replaced by Memorandum of Understanding (Access Services), Effective 05/29/2002	VES